

Due Diligence Processes

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As a responsible charity, INTRAC needs to perform due diligence checks to ensure it is not put at risk. The risks fall into the following main areas: Legal, Reputational and Financial. These areas can overlap.

Risks can arise because of the activities we undertake or because of the relationships we have with clients, funders and suppliers (including consultants). One key area for relationships is being sure we understand who we are working with.

A due diligence process will be carried out before entering into a new business relationship with a new client and should be reviewed periodically. The exceptions to this general rule, unless there has been a significant change in any factor of the relationship and/or programme, are when:

- The proposed opportunity is a continuation of funding or development of an existing project; and/or
- A recent due diligence assessment, within the last year, has been carried out on the proposed partner/project and where this assessment relates to activities in a similar or related sphere of activity.

1 Risk Areas

a) Legal

Ensuring that INTRAC complies with legal requirements.

- Terrorism:
 - not working with prohibited organizations
 - not transferring funds to any designated entities, subject to financial sanctions, unless we have obtained permission from HM Treasury to do so
- Bribery Legislation: It is a criminal offence for INTRAC to do anything that promotes bribery and corruption. This applies to our activities everywhere in the world.
- Health and Safety. This is more relevant to our activities more than our relationships. Safety and Security of the both the staff we employ and consultants we engage on particular assignments is a key area but is covered by INTRAC's safety and security policy and related documents

b) Reputational

We need to ensure that relationships we form – including funding and working relationships are not going to damage our reputation, e.g. by working with, receiving funds or sourcing goods and services from organisations and individuals who are involved in activities that go against our aims and objectives and might be contrary to our charitable status.

c) Financial

We need to know that

- Clients will be able to pay us,

- Funders are financially stable.
- Suppliers will be able to provide the goods and services we have engaged them for.

The Charity Commission provides guidance on:

- [Due diligence checking for partner organisations](#)
- [Complying with legislation on terrorism](#)

2 Due diligence checks

a) Organisations and individuals we work with

In relation to organisations and people that we work with, donors, clients, suppliers and other partners, due diligence checks will cover the following areas:

- Identity,
- Control,
- Third-party relationships,
- Activities,
- Stability and sustainability.

b) Activities

In relation to commissioned and non-commissioned work we undertake, due diligence may/will also cover the following environmental factors

- Safety and security – refer to separate INTRAC safety and security policy
- Political environment
- Assessment of the potential impact on our financial stability

Due diligence work means examining these areas, gathering evidence and documenting decisions.

3 Recording due diligence checks and decisions

The Business Development Manager and/or the Job Manager is responsible for completing the Due diligence process

A number of checklists (drawn from Charity Commission Guidance) are attached as Appendices.

These can be cut and pasted to a new word document and annotated to record the due-diligence work that has been done and basis for decisions made, along with supporting documentation that may have been gathered during the assessment. Other supporting documentation may include:

- Copies of accounts
- Copies of constitutional documents
- Print outs of internet searches, e.g. in relation to terrorism/financial sanctions
- Copies of correspondence with other third parties

Note: this list is not exhaustive and not everything will be relevant to all due diligence checks.

4 Checks relating to Terrorism/Financial Sanctions

a) Clients, funders and partners and suppliers of goods and services

The following checks should be performed for all new clients, funders and partners (including associates and other external consultants) and suppliers of goods and services:

- Check name against UK lists of designated entities (NB: entities can be individuals or organisations)
 - [List of designated persons, terrorism and terrorist financing](#)
 - [Financial sanctions targets: list of all asset freeze targets](#)
 - [Note: you can subscribe to updates here](#)

- b) [Check for any known associations with proscribed terrorist groups and organisations](#)
- c) Internet search on 'name+sanctions'. If the entity shows up as being owned/controlled by another entity then repeat search for the owning/controlling entity.

b) Accommodation whilst on assignment outside the UK

In identifying suitable accommodation whilst on assignment outside the UK you should:

- a) Consult the client to ask for recommendations for suitable accommodation, taking into account safety and value for money
- b) Ask the client if they have policies in place to ensure that the hotel is not owned, or controlled by a designated entity under UN, EU or UK sanctions.
- c) If the answer to 'b)' above is no then you should perform the checks listed in a) above.

If the hotel fails this test and is identified as being connected with a designated person you should ask the client for alternative recommendations – or suggest alternatives that you have identified.

If no suitable alternatives can be found it may still be possible to use it but we will need to apply to OFSI at HM Treasury for a licence before we are able to make any payments.

[Details of how to do this can be found in guidance on the OFSI website](#)

5 What to do if due diligence checks raise suspicions

If due diligence checks reveal evidence of crime, INTRAC must report the matter to the police and/or other appropriate authorities.

There are some specific requirements around donations/grants:

- If we have reasonable cause to suspect that a donation is related to terrorist financing, Trustees are under specific legal duties under the Counter-Terrorism Act to report the matter to the police. In the case of money laundering, reports can be made to the police, a customs officer (HMRC), or an officer of the National Crime Agency.
- Such issues should be reported to the Charity Commission under the reporting serious incidents regime, especially if significant sums of money or other property are donated to the charity from an unknown or unverified source. This could include an unusually large one-off donation or a series of smaller donations from a source you cannot identify or check. The commission expect trustees to report any such payment (or payments) totalling £25,000 or more.

Appendices – Due Diligence Checklist Templates

1 Project/Programme Due Diligence Checklist Template

This checklist is based on tools provided by the Charity Commission. Not all items will be relevant to all projects and programmes. It is also possible that it is not complete and other factors may need to be added for some of the activities we undertake.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/550693/Tool_5.pdf

1.1 The activity/project

- Is the activity clearly within the charity's objects? Our objectives are ***the relief of poverty, sickness and distress throughout the world***
- Are proper policies and procedures in place to prevent beneficiaries being put at risk?
- Are partners/staff/volunteers sufficiently trained to be able to carry out the work?
- What lessons has the charity learnt from its own previous experience, or that of other organisations working in the same area and/or type of activity?

Notes:

1.2 Legal

- Are there any specific laws and requirements to be aware of in carrying out the activity?
- Are there any UK and/or local sanctions in force?

<https://www.gov.uk/government/organisations/office-of-financial-sanctions-implementation>

Notes:

1.3 Finance

- Is there enough money available to support the proposed activity? Particular considerations
 - Matched funding
 - Timing of expenditure and receipts and impact on organizational cashflow
- What are the VAT implications? If the work is exempt from VAT (eg training) has all irrecoverable VAT been reflected in the budget
- Is there adequate insurance in place to cover any equipment or cash that may be used

Notes:

1.4 Partners

- Are partners being used? What risks does this pose?
- Have these partners been used before?
- Will a written agreement be in place?
- What are the risks of the partner not delivering?
- Can money be recovered if necessary? What problems might there be?

Notes:

1.5 External Factors

What factors are outside INTRAC's direct control?

When INTRAC is working internationally – either on assignment or through a locally established office our risk assessment needs to take account of any relevant circumstances arising in their particular country or region of operation. Specific risks to consider include:

- internal conflict or other violent or military action
- known terrorist or criminal activity
- poor infrastructure in remote or sparsely populated areas
- changes in government/political environment
- lack of banking facilities
- high levels of bribery and corruption

Notes:

2 Key Partner – Due Diligence Checklist Template

Key Partner's in the context of INTRAC would generally be the consultants that we work with.

This checklist is based on tools provided by the charity commission. Not all items will be relevant to all partners. Governance, for example generally won't be relevant to independent consultants.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/550697/Tool_8.pdf

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/550694/Tool_6.pdf

2.1 Identity

- Who is the partner
 - What do we know about them
 - Do we have an established relationship with them
- Have any public concerns been raised about them or their activities? If so, what was the nature of the concerns and how long ago were they raised? Did the police or a regulator investigate the concerns? What was the outcome?
- Would adverse publicity about them have a damaging effect on INTRAC

Notes:

2.2 Are you satisfied with the partner's status and governance?

- Consider checking:
 - its governing document
 - the proscribed organisation list
 - the designated entity list
 - the consolidated list of financial sanctions targets
- Carry out internet searches including on social media and review local media to identify if, for example, the organisation has any links with political activity.

Notes:

2.3 Representatives and structures

- Who are the key senior personnel?
- Have we checked that they are not covered by financial sanctions?
- Have we checked their personal social media
- Are the organisation's size, management and operational structure fit for purpose?
- Can we be reasonably sure the organisation is able to deliver the services required?
- How easy is it to contact the organisation's senior representatives and other key staff?

Notes:

2.4 Practical working relationship

- What do we know about the partner?
- Have we worked with them before?
- Does our experience of working with the partner in the past raise any concerns?
- Are their aims and values compatible with those of INTRAC?
- Are there likely to be any language, communication or cultural problems? How can these be overcome?
- Is the partner already working with other organisations? Will this present any problems?
- Are there arrangements in place to enable you to monitor the charitable services provided?
- Are we confident about any third parties involved in monitoring and feedback?

Notes:

2.5 Accounting and internal financial controls

- Are the partner's financial controls generally adequate and reliable?
- Are its financial policies and procedures documented?
- What recording and audit systems are in place, and are these suitable for the type of work being undertaken and the scale of funding involved?
- Will the charity be able to inspect the partner's financial records?
- Are there any concerns about banking local arrangements and the movement of funds?
 - If so, have these been addressed satisfactorily?
- Does the partner have adequately trained and qualified staff to manage funds, maintain accounts and report back to the charity?
- How closely do the partner's senior staff monitor its more junior staff?

Notes:

2.6 External risk factors

- What special risk factors apply to the area in which the partner organisation will operate?
- Will the organisation be able to deal with these? For example:
 - what is the political, economic and social environment?
 - is there any potential or actual instability, unrest or conflict?
 - are there health and safety concerns for INTRAC representatives?
 - would external factors affect your ability to monitor effectively?

Notes:

3 Clients Due Diligence Checklist Template

This checklist is based on tools provided by the charity commission. Not all items will be relevant to all clients.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/550697/Tool_8.pdf

3.1 Identity

- Who is the client?
 - What do we know about them
 - Do we have an established relationship with them
- Would adverse publicity about them have a damaging effect on INTRAC
- Have any public concerns been raised about them or their activities? If so, what was the nature of the concerns and how long ago were they raised? Did the police or a regulator investigate the concerns? What was the outcome?

Notes:

3.2 Ownership and Control

- Who are the key senior personnel?
- Check organisation and key personnel against:
 - the proscribed organisation list
 - the designated entity list
 - the consolidated list of financial sanctions targets
- Carry out internet searches and review local media to identify if, for example, the organisation has any links with political activity.
- How easy is it to contact the organisation's senior representatives and other key staff?

Notes:

3.3 Financial

- Are we sure the organisation can pay for the services required? Any evidence that they are slow payers?

Notes:

3.4 Practical working relationship

- Does our experience of working with the client in the past raise any concerns?
- Are their aims and values compatible with those of INTRAC?
- Are there likely to be any language, communication or cultural problems? How can these be overcome?

Notes:

4 Funders, Donors and Donations Due Diligence Checklist Template

This checklist is based on tools provided by the charity commission. Not all items will be relevant to all Donors and Donations.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/550694/Tool_6.pdf

The main things to consider are

- How big is the donation?
- Do we know who made the donation/grant?
- Is there anything suspicious about the donation/grant?

4.1 Identity

- Who is the client/funder/donor
 - What do we know about them
 - Do we have an established relationship with them
 - Would adverse publicity about them have a damaging effect on INTRAC
- Have any public concerns been raised about them or their activities? If so, what was the nature of the concerns and how long ago were they raised? Did the police or a regulator investigate the concerns? What was the outcome?
- Would adverse publicity about them have a damaging effect on INTRAC
- Are donors UK tax payers?
 - Is Gift Aid relevant?
Gift Aid may not be claimable if they gain a financial advantage from their donation.

Notes:

4.2 Size of Donation

- Is it a single donation, or one of a number of regular donations, or the first of multiple future donations?
 - What are the cashflow implications of timing of donation
 - Is the donation one of a series of interest-free loans from sources that cannot be identified or checked by the charity?

Notes:

4.3 Conditions on use of the donation

Does the donation come with any conditions attached?

- What are they?
- Are they reasonable? Examples of suspicious conditions include
 - Is there a condition that funds are only to be retained by the charity for a period and then returned to the donor, with the charity retaining the interest?
 - Is the donation conditional on particular organisations or individuals being used to apply the funds?
 - Is the donation conditional on being applied to benefit particular individuals either directly or indirectly?
 - Is there a suggestion that the charity is being used as a conduit for funds to a third party?
 - Is the donation in sterling or another currency, perhaps with a requirement that the donation be returned in a different currency?

Notes:

4.4 Origin of Funding

- Are any of the donors based, or does the money originate, outside the UK? If so, from which country?
 - Does this country/ area pose any specific risks?
- Are donations received from unknown bodies or international sources where financial regulation or the legal framework is not rigorous?

Notes:

4.5 Other suspicious circumstances

- Is the donation received from a known donor but through an unknown party or an unusual payment mechanism where this would not be a typical method of payment?
- Is anything else unusual or strange about the donation?

Notes: